

**QUARTERLY REPORT**  
CONCERNING  
**MTBE USE IN**  
**CALIFORNIA GASOLINE**

April 1 through June 30, 2001

Report to the Legislature

**STAFF REPORT**

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Gray Davis, Governor

# CALIFORNIA ENERGY COMMISSION

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# **Quarterly Report Concerning MTBE Use in California Gasoline**

**April 1 through June 30, 2001**

## **Background**

Senate Bill 1001 (Burton), Chapter 814, Statutes of 1999, requires the California Energy Commission to prepare a quarterly report on the use of methyl tertiary butyl ether (MTBE) in California gasoline. This report summarizes the amount of MTBE each California refinery used during the preceding quarter — April 1 through June 30, 2001.

The amount of MTBE reported in this document is the quantity blended at each refinery location for use in the production of California Reformulated Gasoline (CaRFG) and intended for sale in the state. The numbers do not include any MTBE used at California refineries for the production of any type of gasoline intended for sale outside the state. In addition, several small refineries operating in the state are not included in this report because they do not produce gasoline.

MTBE, a compound containing oxygen, is an oxygenate that is used to produce gasoline in California. California refiners also use two other oxygenates, ethanol and tertiary amyl methyl ether, but in significantly smaller volumes compared to MTBE. Federal law requires California refiners to use a minimum amount of oxygen in all reformulated gasoline sold in severe and extreme ozone-nonattainment regions of the state. Those areas in California (mostly in Southern California and the Sacramento Metropolitan Area) account for over 70 percent of the gasoline used in the state. California's request for a waiver from this requirement from the U.S. Environmental Protection Agency was denied on June 12, 2001.

The California Air Resources Board adopted reformulated gasoline regulations that enable refiners to produce fully complying gasoline without the use of any oxygenates. Thus, if the request to waive the federal minimum-oxygen requirement had been granted, California refiners would have been able to reduce the volume of MTBE blended into gasoline. However, until refiners complete refinery modifications, they will likely need some MTBE to help them meet desired octane levels in premium grades of gasoline and in reduced quantities in other grades to help achieve compliance with reformulated-gasoline specifications.

## **Second Quarter 2001 Results**

California refiners used 8,459,000 barrels of MTBE to make CaRFG during the second quarter of 2001. This amount represents approximately 93,000 barrels per day of MTBE or 3.9 million gallons per day.<sup>1</sup> Table 1 shows the use of MTBE by each refinery in California and total CaRFG production. Compared to the previous quarter, the total

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<sup>1</sup> A barrel is equivalent to 42 U.S. gallons.

volume of MTBE used by California's refiners increased by 15.6 percent. CaRFG production totaled 81.2 million barrels in the first quarter and 89.4 million barrels in the second quarter of 2001, for a corresponding 10.2 percent increase. The 15.6 percent increase in the use of MTBE compared to the 10.2 percent increase in gasoline resulted in the average concentration of MTBE rising from 9.0 percent in the first quarter of 2001 to 9.5 percent in the second quarter of 2001.

Figure 1 illustrates the concentration of MTBE used in California's gasoline for each of the quarters during the period of 2000 through 2001. The drop in concentration of MTBE during the second quarter of 2000 was primarily a result of the higher price of MTBE relative to the price of CaRFG compared to the other quarters of 2000. The drop in concentration of MTBE during the first quarter of 2001 was primarily due to two factors. The first factor is the significant reduction in MTBE use by Tosco<sup>2</sup>. The second factor is the higher relative price of MTBE compared to CaRFG over the previous quarter.

Figure 2 is a chart that compares the average quarterly spot price of CaRFG to the spot price for MTBE. As indicated by the chart, the difference between MTBE price and CaRFG was relatively small for the first, third, fourth quarters of 2000. During the second quarter of 2000 and the first quarter of 2001 the difference between MTBE price and CaRFG was greater compared to the previously mentioned quarters. During these quarters when MTBE was relatively expensive, there was a greater economic incentive for refiners to decrease the use of MTBE.

In the second quarter of 2001 the difference in prices between MTBE and CaRFG narrowed, relative to the first quarter of 2001. Refiners responded by slightly increasing the average concentration of MTBE in California gasoline.

MTBE use can vary significantly for individual refineries from quarter to quarter due to a number of factors that affect the overall level of CaRFG production and MTBE use. These factors include the following: planned refinery downtime (typically for maintenance), unplanned refinery outages due to process equipment problems, seasonal changes in gasoline demand, seasonal changes in CaRFG standards (which are more stringent during the summer months), and shifts in production of non-MTBE gasoline (which is typically higher during the winter months).

Note, the actual volume of pure MTBE is less than the totals as illustrated below. The purity of MTBE varies depending on the source. Approximately 88 percent of the MTBE used by California refiners is imported and its quality is normally 95 percent pure MTBE with 5 percent impurities in the form of other hydrocarbons. The other source of MTBE originates from production facilities located within some California refineries. The purity of California-produced MTBE is normally lower than that of the imported MTBE, increasing physical volumes of this portion of the supply.

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<sup>2</sup> Phillip Petroleum Company closed on its acquisition of Tosco Corporation on September 19, 2001.

**Table 1**  
**California MTBE Use By Refinery Location**

Refiner	California Location	MTBE Use This Quarter 2 <sup>nd</sup> Qtr – 2001 (Thous. Of Barrels)	MTBE Use This Quarter 1 <sup>st</sup> Qtr – 2001 (Thous. Of Barrels)	Change From Previous Quarter (Percent)
BP <sup>2</sup>	Carson	1,943	1,932	+ 0.6
Chevron	El Segundo	1,125	1,042	+ 8.0
Chevron	Richmond	162	204	- 20.6
Equilon <sup>3</sup>	Bakersfield	130	177	- 26.6
Equilon <sup>4</sup>	Los Angeles	599	379	+ 58.0
Equilon <sup>5</sup>	Martinez	746	660	+ 13.0
ExxonMobil	Torrance	689	707	- 2.5
Kern Oil	Bakersfield	84	90	- 6.7
Tosco	Los Angeles	37	10	+ 270.0
Tosco	Rodeo	0	0	0.0
UDS <sup>6</sup>	Avon	673	435	+ 54.7
UDS <sup>7</sup>	Wilmington	1,025	722	+ 42.0
Valero <sup>8</sup>	Benicia	1,246	960	+ 29.8
<b>State Refinery MTBE Totals</b>		<b>8,459</b>	<b>7,318</b>	<b>+ 15.6</b>
<b>State CaRFG Production</b>		<b>89,431</b>	<b>81,154</b>	<b>+ 10.2</b>
<b>Statewide Average MTBE Content</b>		<b>9.46%</b>	<b>9.02%</b>	<b>+ 4.9</b>

Source: California Energy Commission form number Q1001

<sup>2</sup> Formerly known as the ARCO – Carson refinery prior to the merger between BP Amoco and ARCO.

<sup>3</sup> Formerly known as the Texaco – Bakersfield refinery prior to the merger between Texaco and Shell.

<sup>4</sup> Formerly known as the Texaco – Los Angeles refinery prior to the merger between Texaco and Shell.

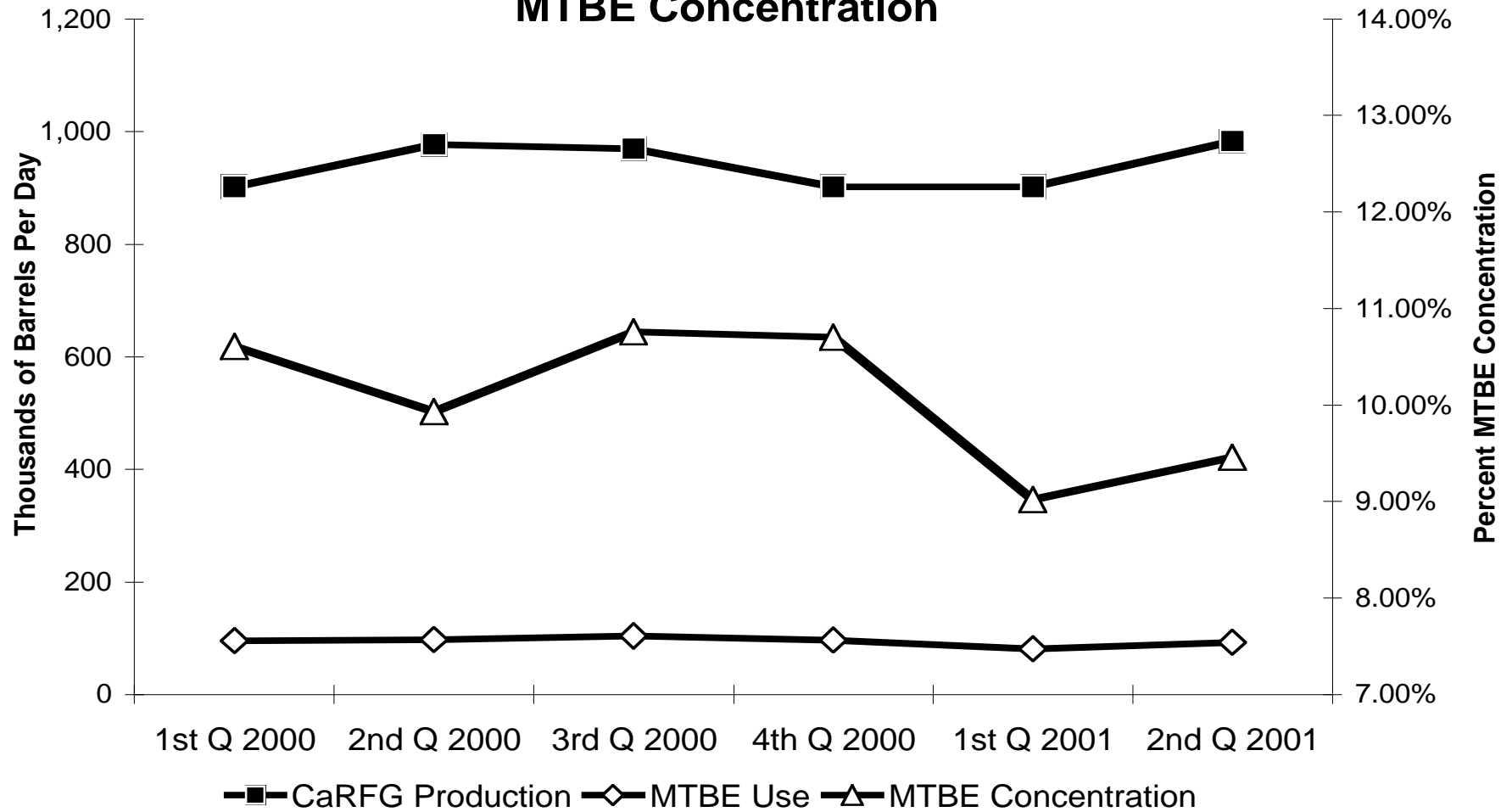
<sup>5</sup> Formerly known as the Shell – Martinez refinery prior to the merger between Texaco and Shell.

<sup>6</sup> Formerly known as the Tosco – Avon refinery prior to the purchase by Ultramar Diamond Shamrock.

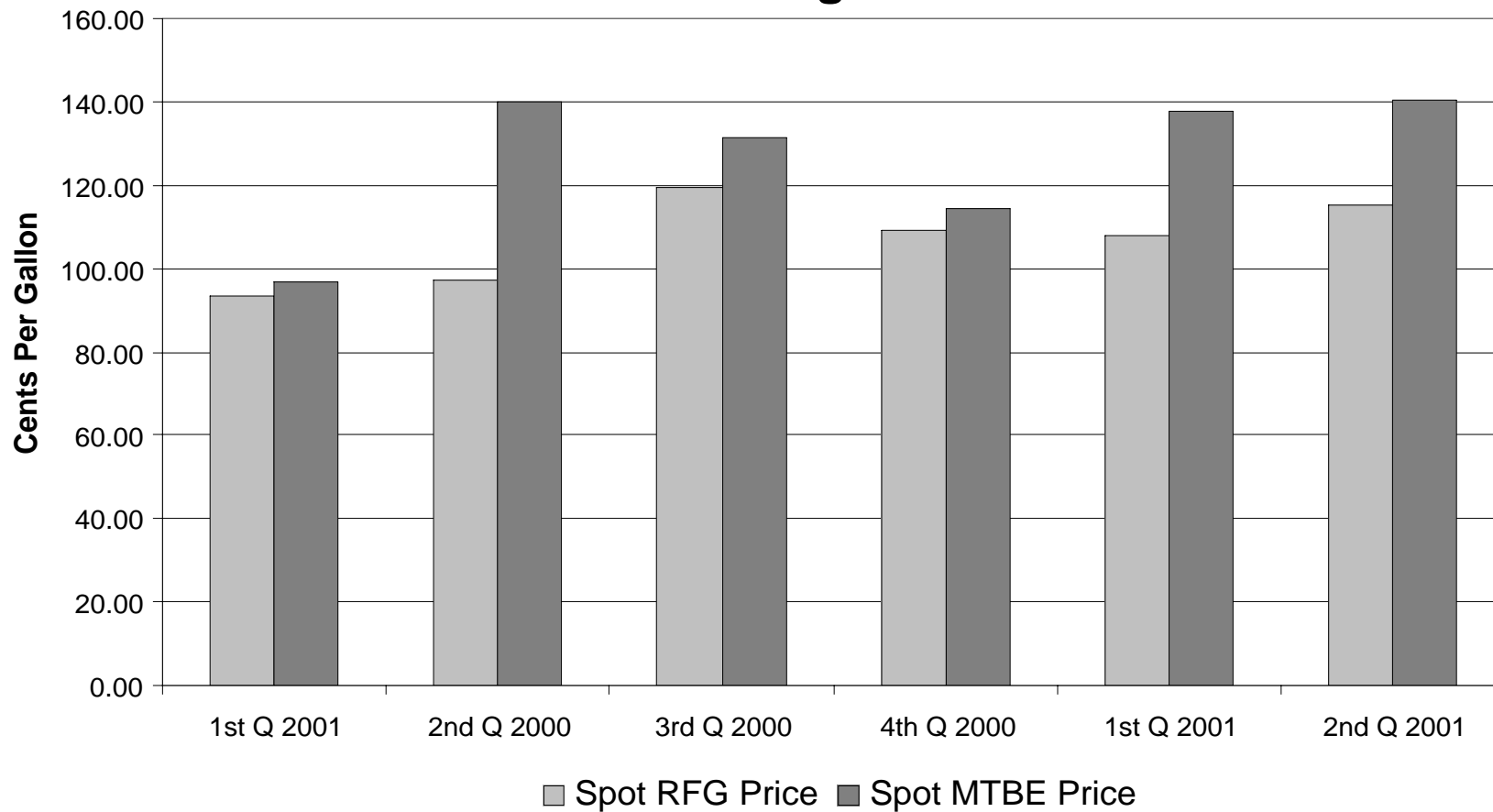
<sup>7</sup> Ultramar Diamond Shamrock

<sup>8</sup> Formerly known as the ExxonMobil – Benicia refinery prior to the purchase by Valero.

**Figure 1**  
**California Gasoline**  
**MTBE Concentration**



**Figure 2**  
**CaRFG vs. MTBE Spot Prices**  
**Los Angeles**



Source: California Energy Commission derived averages from OPIS daily west coast spot market reports.